

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

AMENDED APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER UNDER NMSA 1978, SECTION 70-2-14(B) AGAINST PLATINUM EXPLORATION INC. AND/OR DEVONIAN PARTNERS, LLC, FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.25 NMAC OR 19.15.7.24 NMAC, 19.15.8.9 NMAC, 19.15.29.11 NMAC, 19.15.16.8 NMAC AND 19.15.9.8-9 NMAC, REQUIRING OPERATOR TO RETURN ITS WELLS TO COMPLIANCE OR PROPERLY PLUG AND ABANDON ALL ITS WELLS BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE AUTHORIZING THE DIVISION TO PLUG AND ABANDON THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, LEA COUNTY, NEW MEXICO.

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CASE NO. 14380

AMENDED
APPLICATION FOR COMPLIANCE ORDER
AGAINST PLATINUM EXPLORATION, INC.
AND/OR DEVONIAN PARTNERS, LLC

1. According to the records of the Oil Conservation Division (OCD) Platinum Exploration, Inc. (Platinum) is the operator of the following wells (wells) in Lea County, New Mexico under OGRID 227103:

- Barnhill #001, L-1-14S-37E, 30-025-28198
- Cooper #001, 3-2-17S-38E, 30-025-28166
- Gulf State #003, 3-4-16S-38E, 30-025-07270
- O A Woody #001, E-35-16S-38E, 30-025-26361
- Post #001, N-1-14S-37E, 30-025-27984
- Post #002, M-1-14S-37E, 30-025-28295
- Post #3, D-12-14S-37E, 30-025-28576
- Rose Eaves #002, P-35-16S-38E, 30-025-07291
- Smith #001, F-13-14S-37E, 30-025-28478
- Warren State #001, P-35-15S-37E, 30-025-34034

2. According to information posted on the website of the New Mexico Public Regulation Commission, Platinum Exploration, Inc. is a foreign profit corporation in good standing, with the following corporate officers: Harold James Rasmussen and Gregory J. Rasmussen. Its registered agent is CT Corporation System, 123 East Marcy, Santa Fe, NM 87501.

3. According to the records of the Oil Conservation Division (OCD), the address of record for Platinum is 550 West Texas Avenue, Suite 500, Midland, TX, 79701. This address is consistent with the address that appears on Platinum's recent regulatory filings with the OCD.

4. According to OCD records, Platinum has posted a \$50,000 blanket letter of credit to secure the plugging and abandonment of its wells. Platinum has not posted any single well financial assurances.

5. Upon information and belief, Devonian Partners, LLC (Devonian) is the operator of some or all of the wells, and has assumed responsibility for remediation for the surface at the Barnhill #001, Post #001, Post #002, and Post #003.

6. Devonian is not registered as an operator in New Mexico. According to information posted on the website of the New Mexico Public Regulation Commission, Devonian is a foreign limited liability company with a mailing and principal address of 4711 W. Golf Rd., Ste. 915, Skokie, Illinois 60076. Its organizer is listed as Brian W. Mahoney. It has the following registered agent: CT Corporation System, 123 East Marcy, Santa Fe, NM 87501.

7. OCD rules define “operator” as “a person who, duly authorized, is in charge of a lease’s development or a producing property’s operation, and who is in charge of a facility’s operation or management.”

8. NMSA 1978, Section 70-2-14(B) provides, in relevant part,

“If any of the requirements of the Oil and Gas Act [70-2-1 NMSA 1978] or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules.”

Violation of 19.15.25 NMAC (inactive well requirements), or in the alternative, Violation of 19.15.7.24 NMAC (monthly reporting requirements):

9. Rule 19.15.25.8 NMAC requires an operator to plug and abandon or temporarily abandon a well in accordance with Division rules within 90 days after a period of one year of continuous inactivity.

10. Rule 19.15.25.10.D NMAC provides that, as soon as practical, but not later than one year after the completion of plugging operations, the operator shall level the location, remove deadmen and other junk, and take other measures necessary or required by the OCD to restore the location to a safe and clean condition. In addition, the operator is required to close all pits and below-grade tanks. See 19.15.25.10.E NMAC.

11. Rule 19.15.25.11 NMAC provides that within 30 days after completing all restoration work the operator shall file with the OCD a record of the work done. The OCD shall not approve the record of plugging or release a bond until the operator has filed the necessary reports and the OCD has inspected and approved the location.

12. The wells have not reported production or injection for a continuous period in excess of one year plus 90 days, and are neither plugged and abandoned in accord with 19.15.25.10 NMAC nor on approved temporary abandonment status in accord with 19.15.25.13 NMAC.

13. Rule 19.15.8.13 NMAC authorizes the Director to order the operator to plug and abandon any well not in compliance with 19.15.25.8 NMAC and restore and remediate the location by a date certain.

14. NMSA 1978, Section 70-2-12(B)(18) and NMSA 1978, Section 70-2-38 authorize the OCD to plug and abandon wells, and restore and remediate the location of abandoned wells.

15. Platinum is filing monthly C-115s, which should indicate any production or injection. If its wells are producing or injecting, and the operator is failing to report that production or injection on its C-115s, it is in violation of the reporting requirements of 19.15.7.24 NMAC:

“An operator shall file a form C-115 for each non-plugged well completion for which the division has approved a form C-104 and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state, setting forth complete information and data indicated on the forms in the order, format and style the director prescribes.”

Violation of 19.15.8.9 NMAC (financial assurance requirements):

16. Rule 19.15.8.9 NMAC requires operators to post financial assurances for wells on privately owned or state owned lands in New Mexico that have not been plugged and released, conditioned that the well will be plugged and abandoned and the location restored and remediated in compliance with OCD rules.

17. Effective January 1, 2008, the operator of a state or fee well that has been inactive for a period of more than two years must post a one-well financial assurance for the well, even if the well is also covered by a blanket financial assurance. See Rule 19.15.8.9.C NMAC.

18. Effective January 1, 2008, the amounts required under Rule 19.15.8.9.D NMAC for single well financial assurances increased. The current amount required for a well in Lea County is \$5,000 plus \$1 per foot of measured depth. See 19.15.8.9.D(2) NMAC.

19. All ten of the wells are state or fee wells that have been inactive for more than two years; therefore they all require single well financial assurances under 19.15.8.9 NMAC. The operator has not posted single well financial assurances for any of its wells.

Violation of 19.15.29.11 NMAC (corrective action for releases)

20. Rule 19.15.29.11 NMAC requires the responsible person to complete division-approved corrective action for releases that endanger public health or the environment.

21. The OCD conducted inspections of the Post lease on June 24, 2009 and July 27, 2009. During both inspections, the OCD found releases, including oil leaking from the wellhead of the Post #003. The OCD sent two letters to Platinum notifying operator of the leak and requiring Platinum to take corrective action. As of this writing, the site has not been cleaned up.

Violation of 19.15.16.8 NMAC (well sign requirements)

22. Rule 19.15.16.8 NMAC requires operators to identify wells and related facilities by signs.

23. The operator has not posted well signs identifying it as the operator of at least three of its wells: the Barnhill #001, the Post #002, and the Post #003.

Violation of 19.15.9.8-9 NMAC (operator registration and change requirements)

24. 19.15.9.8 NMAC requires an operator of wells in New Mexico to register with the OCD as an operator prior to commencing operations. The operator must post financial assurances and provide a current address of record and emergency contact information.

25. When the entity responsible for a well or group of wells changes, the operator of record with the OCD and the new operator shall file a change of operator application, and “the new operator shall not commence operations until the division approves the application for change of operator.” 19.15.9.9 NMAC.

26. Upon information and belief, Devonian has been the operator of all or some of the wells, without registering as an operator, providing financial assurances, or providing a current address and contact information.

WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an order:

- A. Determining the operator or operators responsible for returning the wells to compliance;
- B. Determining that the operator or operators are in violation of 19.15.25 NMAC or 19.15.7.24 NMAC, 19.15.8.9 NMAC, 19.15.29.11 NMAC, 19.15.16.8 NMAC, and 19.15.9.8-9 NMAC;

- C. Requiring the operator or operators to return all the wells to compliance with 19.15.25 NMAC or 19.15.7.24 NMAC, 19.15.8.9 NMAC, 19.15.29.11 NMAC, 19.15.16.8, and 19.15.9.8-9 NMAC or plug the wells by a date certain, pursuant to NMSA 1978, Section 70-2-14(B);
- D. Authorizing the OCD to properly plug and abandon all wells and forfeit the applicable financial assurances if the operator or operators fail to return the wells to compliance or plug the wells by the deadline set in the order; and
- E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 17th day of August 2009 by



Gail MacQuesten
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
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Conservation Division

Case No. 14380. Amended application of the New Mexico Oil Conservation Division for a Compliance Order against Platinum Exploration, Inc. and/or Devonian Partners, LLC. The Applicant seeks an order under NMSA 1978, Section 70-2-14(B) finding that the operator is in violation of 19.15.25 NMAC or 19.15.7.24 NMAC, 19.15.8.9 NMAC, 19.15.29.11 NMAC, 19.15.16.8 NMAC, and 19.15.9.8-9 NMAC, requiring operator to return its wells to compliance or properly plug and abandon all the wells it operates in New Mexico by a date certain, and in the event of non-compliance authorizing the division to plug and abandon the wells and forfeit the applicable financial

assurance. The affected wells are: Barnhill #001, L-1-14S-37E, 30-025-28198; Cooper #001, 3-2-17S-38E, 30-025-28166; Gulf State #003, 3-4-16S-38E, 30-025-07270; O A Woody #001, E-35-16S-38E, 30-025-26361; Post #001, N-1-14S-37E, 30-025-27984; Post #002, M-1-14S-37E, 30-025-28295; Post #003, D-12-14S-37E, 30-025-28576; Rose Eaves #002, P-35-16S-38E, 30-025-07291; Smith #001, F-13-14S-37E, 30-025-28478; Warren State #001, P-35-15S-37E, 30-025-34034. The Barnhill #001 and the Post #001, #002 and #003 are located approximately 12 miles northeast of Lovington. The Cooper #001 is located approximately 10 miles north of Hobbs. The remaining wells are located approximately 10 miles east of Lovington. All of the wells are located in Lea County, New Mexico.